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June 5, 2017

Michigan Public Service Commission

Re: **MEEA's Comments on Energy Waste Reduction in Integrated Resource Plans**

The Midwest Energy Efficiency Alliance (MEEA) submits the following comments for the 2017 Michigan Public Service Commission's consideration in completing its initial integrated resource planning assessment pursuant to PA 341 Sec. 6t.

MEEA is a non-profit, membership association working across a 13-state region in the Midwest. Our members include utilities (investor-owned, municipal, and cooperatives), energy efficiency technology and service providers, manufacturers, state and local governments, and research and advocacy organizations. We are the Midwest's key proponent and resource for energy efficiency policy, helping to educate and advise a diverse range of stakeholders on ways to pursue a cost-effective, energy-efficient agenda. DTE Energy, Consumers Energy and the Michigan Electric Cooperative Association are some of the valued members of MEEA based in Michigan.

As the region's leading voice for energy efficiency, MEEA is pleased to see that energy efficiency, or energy waste reduction as it is described in PA 341 and PA 342, is well represented. We hope that our comments will lead to continued increased investments in energy efficiency and subsequent energy savings throughout Michigan.

Energy Efficiency in Michigan

The ramp-up of ratepayer funded energy efficiency programs since the EO standard went into effect has been dramatic – annual electricity savings have tripled since 2009. With increased savings, come significant benefits for every customer class. As a result of the 2015 Energy Optimization Plans, for every $1 spent on energy efficiency in Michigan, residents and businesses will realize $4.35 in benefits.[1] The calculated benefits include energy- and capacity-related

[1] Licensing and Regulatory Affairs (LARA), 2016 Report on Energy Optimization Programs and Cost-effectiveness of PA 295 Standards, Michigan Public Service Commission (2016). pg. 1.

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avoided costs such as the cost of building new generation, transmission, and distribution facilities. Additional economic benefits are recognized by the Michigan Public Service Commission, but not reflected in the benefit-cost analysis, including: increased demand for efficient equipment and services from local businesses, increased spending within the economy due to lower utility bills from reduced energy consumption, and increased production from participating businesses. All of these benefits are highly localized and remain in-state.

At $17 per megawatt hour, energy efficiency is nearly four times cheaper than new natural gas and coal fired power plants and two times cheaper than wind generation.[2] Moreover, the value of energy efficiency in avoided costs and the staving off of new generation cannot be overstated. Accordingly, it will be critically important that energy efficiency is properly factored into Michigan's Integrated Resource Plan process, as both a demand-side and supply-side resource.

Energy Efficiency as a Resource

MPSC Staff has asked EWR Working Group stakeholders to provide input on how best to incorporate energy waste reduction into six proposed scenarios that are intended to serve as the eventual baseline required assumptions utilities will incorporate into their IRP filings.

As a starting point, the MPSC identified six scenarios to be studied during the eventual utility IRP filings. These include three for the Lower Peninsula (LR Zone 7) and three for the Upper Peninsula (LR Zone 2). The proposed Lower Peninsula scenarios are 1) Business as Usual, 2) Environmental Policy and 3) Accelerated Emerging Technologies. The proposed Upper Peninsula scenarios are 1) Business as Usual, 2) High Market Price Variant and 3) Accelerated Emerging Technologies.

The goal of the MPSC's request is to determine how energy waste reduction should be treated and analyzed in a utility IRP planning cycle. The

[2] Billingsley, et. al, The Program Administrator Cost of Saved Energy for Utility Customer-Funded Energy Efficiency Programs, Lawrence Berkeley National Laboratory - Environmental Energy Technologies Division (March 2014).

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Environmental Policy and High Market Price Variant scenarios succeed in opening the possibility for increased "economic viability of alternative technologies", and energy efficiency opportunities are expected to increase in the Accelerated Emerging Technologies scenarios. However, the Business as Usual scenarios do not afford a similar opportunity to incorporate energy efficiency. The relative levelized costs of energy position energy efficiency as the lowest cost resource. Moreover, the Business as Usual scenarios ought to factor in a changing status quo, given the tenor of PA 341 and PA 342. These two laws are likely to have a profoundly positive impact on the expansion of energy waste reduction measures and resulting savings due to the electric decoupling mechanism, financial incentives and removal of the 2% rate cap.

Accordingly, the MPSC should consider explicitly incorporating energy efficiency into the Business as Usual scenarios. Doing so will set forth the expectation that energy waste reduction should always be considered and can compete equally with other generation sources. The need for additional generation capacity could be delayed due to increased energy efficiency efforts.

Incorporation of energy waste reduction within each of the scenarios will ensure energy efficiency portfolios are weighed against generation as part of the holistic IRP process. The cost-effectiveness of energy efficiency *programs* is often the result of lower-cost measures balancing out higher-cost measures, not on the cost-effectiveness of individual measures. Basing selection on measure-level cost-effectiveness could be leaving savings on the table that could be achieved with a well-designed portfolio of programs.

As the Regulatory Assistance Project points out, "although the achievable framework is useful from a practical standpoint, too often projections of achievable savings are seen as precise forecasts or even upper limits on what level of demand reduction can be attained through energy efficiency initiatives… Other factors, such as effective program design and the strength of motivation on the part of the utility, can significantly influence what level of savings will ultimately be realized."[3]

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[3] Kramer, C. and Reed, G. 2012. Ten Pitfalls of Potential Studies. Burlington, VT: Regulatory Assistance Project. Accessed at http://www.raponline.org/knowledge-center/ten-pitfalls-of-potential-studies/

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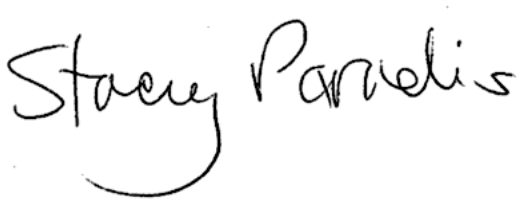
Thank you for this opportunity to comment on Michigan's integrated resource planning process, and we look forward to continuing to engage further in this initial MPSC assessment as well as in the IRP process for individual Michigan utilities to advance energy efficiency as a valued resource in the state.

For questions, please contact Nick Dreher, Policy Manager, at (312) 784-7271 and via email at ndreher@mwalliance.org.

Respectfully,



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